

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NEW YORK

CONSUMER FINANCIAL PROTECTION
BUREAU, et al.

Plaintiffs,

vs.

STRAFTS, LLC f/k/a STRATEGIC
FINANCIAL SOLUTIONS, LLC, et al.

Defendants, and

DANIEL BLUMKIN, et al.,

Relief Defendants.

Case No. 1:24-cv-00040-EAW-MJR

DECLARATION OF KATHERINE ROSENBERG

I, Katherine Rosenberg, hereby declare under penalty of perjury and pursuant to 28 U.S.C. § 1746 that the following is true and correct:

1. I am a former employee of Lit Def Strategies, LLC (“Lit Def”) and Fidelis Legal Support Services, LLC (“Fidelis”). The contents of this declaration are within my personal knowledge, and if called as a witness, I could and would testify about its contents.

2. In August 2021, I submitted an employment application in response to an advertisement on Indeed seeking an employee for a litigation legal assistant or paralegal role. The employer’s name was not provided in the advertisement. In response to my application, Hayfa Zayed, who represented herself as being “with Fidelis”, left me a voicemail message on August 10, 2021 and asked me to sit for an interview. I was interviewed for the role twice, once by Shirley Saavedra and once by Michelle Hinds, before being hired.

3. Although Ms. Zayed from Fidelis had reached out to me and arranged the interviews, the offer letter I received stated that I was being offered “the position of a Legal

Assistant at Lit Def Strategies, LLC[,]” and I was informed that I was being “put on” the Lit Def team. The employer listed on my W-2 at that time was Lit Def. The relationship between Lit Def and Fidelis was not explained to me. My first day was on or about September 13, 2021.

4. My title with Lit Def was initially “legal assistant.” My supervisors were Shirley Saavedra, the managing paralegal, and Michelle Hinds, the managing attorney. The position was remote. I was provided with a Microsoft Surface tablet computer for work and continued to use this computer throughout my time with Lit Def and Fidelis. The login username for my Surface computer was “katherine@clientfirstbankruptcy.com”.

5. My role was to review settlements negotiated by the network of litigation attorneys that Lit Def (and later Fidelis) worked with, whom we referred to as “network attorneys” or “1099 attorneys.” My job was to ensure that all settlement figures were accurate and calculated correctly. Using software called HappyFox, I would then forward the proposed settlement on to the servicer, which I now understand to be affiliated with StratFS (but which we usually referred to as “Fusion” or “New York”), who would obtain client approval for the settlement and arrange for settlement payments to be made from the client’s escrow account. This work was performed using the LeadTrac customer relationship management (CRM) software and HappyFox. I was given a “litdefstrategies.com” email address and was initially assigned to service “Lit Def” files.

6. In the fall of 2021, Michelle Hinds informed me and my co-workers that Lit Def would soon formally become “Fidelis”, and that Lit Def’s employees would transition over to become Fidelis employees. I recall Hinds initially describing this to me as a “merger” of Lit Def and Fidelis. Later, I recall Hinds simply saying that Fidelis was “buying” Lit Def. Staff was not given a choice to stay with Lit Def; we were simply told that Lit Def was becoming Fidelis for

all intents and purposes. The exact nature of or reason for the change from “Lit Def” to “Fidelis” was never clearly explained to me.

7. Management set February 1, 2022, as the official transition date with respect to allocating litigation files to “Lit Def” or “Fidelis”. We were told that litigation files originating before that date would be treated as “Lit Def” files and serviced from “litdefstrategies.com” email accounts, but that new litigation files after that date would be “Fidelis” files and serviced from “fidelissupport.com” email accounts. Management assigned some of the Lit Def/Fidelis staff to service only “Lit Def” files, and others to service only “Fidelis” files, or both “Lit Def” and “Fidelis” files.

8. Regarding my own work assignments, before February 1, 2022, I serviced only “Lit Def” litigation files. From February 1, 2022 to April 2023, I serviced both “Lit Def” and “Fidelis” files. Then, starting on April 10, 2023, I was assigned only to “Fidelis” files, and the “Lit Def” files were handled by one of my co-workers.

9. During and after the transition to Fidelis, emails sent to my “Litdefstrategies.com” email account were auto-forwarded to my “Fidelissupport.com” email account. When emails concerning “Fidelis” files were sent to our “Litdefstrategies.com” email accounts, we were instructed by Michelle Hinds and Shirley Saavedra to copy and paste the email exchange into a reply email from our “Fidelissupport.com” account and reply from the “Fidelissupport.com” account, removing all references to the “Litdefstrategies.com” email account, a process that was called making the email “clean.” I found these instructions to be strange, as we worked with the same network of attorneys and performed the same tasks regardless of whether the file was formally allocated to “Lit Def” or “Fidelis.”

10. In the transition from Lit Def to Fidelis, my job title was changed from “legal assistant” to “support specialist,” and I was given a “fidelissupport.com” email address. Other than that, the transition had essentially no impact on my work or our day-to-day operations. I continued performing the same work, working with the same network attorneys, with the same co-workers, under the same management, following the same procedures, and using the same Surface computer, LeadTrac software, and HappyFox account at “strategicnegotiations.happyfox.com”.

11. For a period of time during the transition, I received two paychecks, one from a Lit Def account and the other from a Fidelis account. During this period, Michelle Hinds explained to me that the first \$1,000 of my pay would be allocated to Lit Def, and the remainder to Fidelis. I was not asked to clock in/out, keep separate timesheets, or otherwise formally divide my time when working for Lit Def/Fidelis. I would turn in a single timesheet to HR every week with my total time for the week and without separately designating “Lit Def” or “Fidelis” time. On one occasion, Ms. Hinds told me not to worry about splitting my timesheet between “Lit Def” and “Fidelis”. I would simply perform my work for Lit Def/Fidelis and receive two paychecks. Later, beginning in April 2023, my entire paycheck began to come from Fidelis.

12. Beginning in April 2023, I was shifted over entirely to “Fidelis” to work only on “Fidelis” files. My co-worker Victor Anaya continued as the person assigned to service only “Lit Def” files.

13. I recall that Cameron Christo attended one videoconference with the Lit Def/Fidelis staff during the transition. That was the only time I recall seeing or meeting Mr.

Christo, and I do not recall him having any involvement with Fidelis's day-to-day operations at any time.

14. Based on my experience working for Lit Def and Fidelis, I can state that the companies were definitely not competitors. Although management was never transparent about the relationship between the companies, it was clear to me they shared a close relationship, and that "Fidelis" was a successor of "Lit Def".

15. Throughout my time with Lit Def and Fidelis, our manager, Michelle Hinds, would often use a "Clientfirstbankruptcy.com" email account in dealing with issues relating to both Lit Def and Fidelis files. I understand Client First Bankruptcy to be an entity owned by Lit Def's owner, Jason Blust.

16. On or about January 16, 2024, I noticed that I had not received my full usual paycheck from Fidelis. I was purchasing a house at that point and needed funds for my downpayment or risked breaching my contract. Ms. Hinds claimed that this was due to the Martin Luther King, Jr. Day holiday, and that Mr. Christo had approved payroll a day late. Ms. Hinds told me that Mr. Christo would send me the missing funds via Zelle, and I received payment later that day.

17. Over the next several days, I noticed that the volume of litigation-related requests coming through LeadTrac was lower than usual. This was in late January 2024. Shirley Saavedra told me not to send tickets to the servicer for the time being. When it was discovered that I had sent a few emails to a manager in New York for payment status, Michelle Hinds called on January 31, 2024 at approximately 3:30 PM, after my work hours, to reprimand me and said something to the effect of "don't do that, someone is going through everything in New York right now," with "New York" referring to the servicer that I now understand to be

affiliated with StratFS. We were eventually told that “New York” had been sued in a “big lawsuit,” and were instructed not to touch our software systems or communicate with “New York” until further notice, and to log our work on spreadsheets.

18. During this time, we were also told that we could not access any email accounts, payroll information, or tax information related to “Litdefstrategies.com.” If we were to receive an email to a “Litdefstrategies.com” email account from a network attorney, we were to reply from our “Fidelissupport.com” account by copying-and-pasting into a “Fidelissupport.com” email and removing any reference to the “Litdefstrategies.com” email address. A true and accurate copy of a chat conversation including those instructions from Shirley Saavedra is attached as Exhibit A.

19. We were also told not to tell the 1099 attorneys about the lawsuit and to instead forward them to Ms. Hinds who would handle communications with them. Around that time, Ms. Hinds informed us about the TRO, telling me on a phone call that we were waiting for the results of a hearing regarding what “tweaks” the servicer needed to make to the program to continue. Around that time, I obtained and read an unsealed copy of the complaint and TRO.

20. On Friday, February 2, 2024, Hinds had me join a meeting, and asked about the status of files with payments coming due soon. At this point I was to be keeping track of what clients had agreed to pull their funds from Global by the notes from attorneys in the system and what came in through email. In this meeting, she asked if I felt comfortable telling the 1099 attorneys to instruct the clients to take their funds from their escrow accounts held by Global for making settlement payments directly to creditors. I informed Ms. Hinds that I was not comfortable at all following these instructions in light of the complaint and TRO. Ms. Hinds

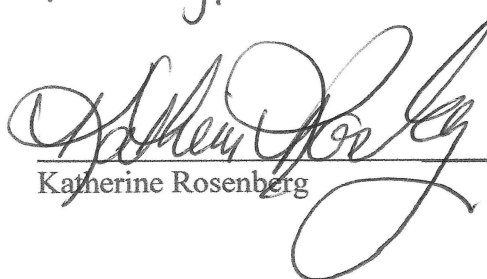
told me that since I had declined, she would make the requests to the 1099 attorneys herself and cc me on the emails beginning Monday, February 5, 2024.

21. On Monday, February 5, 2024, Hinds did not begin cc'ing me on emails as she said she would. I received approximately five emails that entire day, one of which was from Hinds' Clientfirstbankruptcy.com account to a network attorney. The attorney had asked if a settlement could be processed if sent directly to us. Hinds responded from the Clientfirstbankruptcy.com email address that she would call him. Later, Michelle called me and left a voicemail to call her at 2:07 PM and again after my work hours at 3:54 PM.

22. On February 6, 2024, Hinds called and left a message to call her at 9:30 AM. Between approximately 11 AM and noon, I observed the company-provided Surface computer (that I had used for both Lit Def and Fidelis) being accessed remotely, and that the person with remote access appeared to have gained access to my personal email account via the Surface. At this time, I do not know which person remotely accessed the computer. I let Hinds know that I had contacted the CFPB and FBI.

23. On or about February 7, 2024, the login passwords for my Surface computer and Fidelis email account were changed. I asked Hinds if I was fired, she said I was not. I agreed to be put on paid administrative leave. On March 8, 2024, I formally resigned from Fidelis by email.

Executed on March 14, 2024, in Will County, IL


Katherine Rosenberg